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REDACTED – FOR PUBLIC INSPECTION

Ex Parte Notice

Via ECFS

March 17, 2016

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Re: *Investigation of Certain Price Cap Local Exchange Carrier Business Data Services
Tariff Pricing Plans*, WC Docket No. 15-247; *Special Access for Price Cap Local
Exchange Carriers*; *AT&T Corp. Petition for Rulemaking to Reform Regulation of
Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*,
WC Docket No. 05-25, RM-10593

Dear Ms. Dortch:

On March 15, 2016, Carla Stewart, Jim Morris, Craig Brown, Carolyn Hammack and Melissa Newman, all with CenturyLink, met with Pamela Arluk, Thom Parisi, Christopher Koves, Deena Shetler, Eric Ralph, William Layton, Joseph Price and William Kehoe, all of the Wireline Competition Bureau.

The enclosed document was referred to in the meeting. The document contains highly confidential and confidential information that is the proprietary commercial information of CenturyLink and is entitled to protection from public disclosure by the relevant protective orders in the above-referenced dockets, as described in the Confidentiality Appendix attached to this letter.

In the meeting, CenturyLink described its out-of-region operations and an initiative to expand the scope of its arrangements with non-ILEC providers—and particularly cable providers—to

purchase Ethernet access to commercial locations outside CenturyLink's ILEC footprint. CenturyLink noted the tremendous success of this initiative, due to the now-widespread availability of cable-provided Ethernet-over-fiber and Ethernet-over-hybrid fiber coax (HFC) and CLEC-provided Ethernet-over-copper access services. CenturyLink also demonstrated that the quality and performance of these services—in terms of class of service (CoS) and service level agreements (SLAs)—are comparable to ILEC-provided Ethernet services, and that CenturyLink frequently purchases Ethernet-over-HFC services because they meet the needs of most of its Ethernet customers. Finally, CenturyLink discussed ILEC promotions and other market responses to non-ILEC providers' competitive in-roads in the special access marketplace.

CenturyLink also referred to and summarized during the meetings many of the key points it made in its Comments of January 28, 2016 and Reply Comments of February 19, 2016, both filed in the special access rulemaking proceedings (WC Docket No. 05-25 and RM-10593¹).

Although the highly confidential and confidential information is specifically protected from disclosure pursuant to the terms of the *Business Data Services Data Collection Protective Order* (Appendix A to the Order and Protective Orders in WC Docket No. 15-247) and the *Tariff Investigation Protective Order* (Appendix B to the Order and Protective Orders in WC Docket No. 15-247),² as well as the *Second Protective Order* and *Modified Protective Order* in WC Docket No. 05-25, et al.,³ the Confidentiality Appendix attached to this correspondence provides separate justification for highly confidential and confidential treatment under FOIA⁴ and the Commission's implementing rules, 47 C.F.R. §§ 0.457, 0.459.

¹ *Special Access for Price Cap Local Exchange Carriers; AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*, WC Docket No. 05-25, RM-10593, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 16318 (2012); Order, DA 15-1473 (rel. Dec. 21, 2015).

² *Investigation of Certain Price Cap Local Exchange Carrier Business Data Services Tariff Pricing Plans; Special Access for Price Cap Local Exchange Carriers; AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*, WC Docket Nos. 15-247 and 05-25, RM-10593, Order and Protective Orders, 30 FCC Rcd 13680 (rel. Dec. 4, 2015) (Dec. 4th Protective Orders).

³ *Special Access for Price Cap Local Exchange Carriers; AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*, WC Docket No. 05-25, RM-10593, *Modified Protective Order*, 25 FCC Rcd 15168 (Oct. 28, 2010); *Second Protective Order*, 25 FCC Rcd 17725 (rel. Dec. 27, 2010) (*Special Access Rulemaking Protective Orders*).

⁴ 5 U.S.C. § 552.

Consistent with the highly confidential and confidential nature of the information enclosed with this submission, the non-redacted version is marked, consistent with the Dec. 4th *Protective Orders* and the *Special Access Rulemaking Protective Orders*, as “**HIGHLY CONFIDENTIAL AND CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDERS IN WC DOCKET NOS. 15-247 AND 05-25, RM-10593 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION**”. This Highly Confidential and Confidential Information is competitively sensitive commercial information and thus should not be available for public inspection. Such information also would not ordinarily be made available to the public. Release of the Highly Confidential and Confidential Information would have a substantial negative competitive impact on CenturyLink. Accordingly, the submitted highly confidential and confidential information is appropriate for non-disclosure pursuant to the Dec. 4th *Protective Orders* and the *Special Access Rulemaking Protective Orders*, and under FOIA and sections 0.457(d) and 0.459 of the Commission’s rules (as detailed in the attached Confidentiality Appendix).

Consistent with the Dec. 4th *Protective Orders* and the *Special Access Rulemaking Protective Orders*, CenturyLink is filing two hard copies of its non-redacted submission with the Office of the Secretary (one for WC Docket No. 15-247 and one for WC Docket No. 05-25, RM-10593) and providing two hard copies of its non-redacted submission to the staff of the Wireline Competition Bureau (Marvin Sacks).

CenturyLink is also filing today via the Commission’s Electronic Comment Filing System (ECFS) a redacted version of its Ex Parte Notice. Consistent with the Dec. 4th *Protective Orders* and the *Special Access Rulemaking Protective Orders*, the redacted version of CenturyLink’s filing, in which the Highly Confidential and Confidential Information is omitted, is marked, “**REDACTED – FOR PUBLIC INSPECTION**”.

The text of this letter and the attached Confidentiality Appendix, which contain no Highly Confidential or Confidential Information, are the same for both the non-redacted and redacted versions except for the confidentiality markings and the manner of submission noted in the heading on the initial page.

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Marlene H. Dortch

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Pursuant to section 1.1206(b) of the Commission's rules, this notice is being filed in the above-referenced dockets. Please contact the undersigned with any questions.

Sincerely,

/s/ Melissa Newman

Enclosure

Copy via e-mail to:

Pamela Arluk

Thom Parisi

Christopher Koves

Eric Ralph

William Layton

Deena Shetler

Joseph Price

William Kehoe

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CONFIDENTIALITY APPENDIX

47 C.F.R. § 0.457

Information included with CenturyLink's March 17, 2016 Ex Parte Notice is entitled to highly confidential and confidential treatment under 47 C.F.R. § 0.457, and the Dec. 4th *Protective Orders* in WC Docket Nos. 15-247 and 05-25, RM-10593, as well as the *Special Access Rulemaking Protective Orders* in WC Docket No. 05-25, RM-10593.

The types of Highly Confidential information being submitted include: Percentage figures for CenturyLink out-of-region costs, including Ethernet as an access cost; the number of commercial buildings to which CenturyLink can obtain Ethernet access through non-incumbent LEC vendors; the percentage of orders for Ethernet access that CenturyLink shifted in 2015 to non-incumbent LEC vendors; the number of high-value buildings to which CenturyLink can obtain Ethernet access from competitive LECs, cable providers and other vendors; detailed descriptions of the business arrangements that CenturyLink has with cable vendors; the percentage of sites that can be served using cable facilities; percentage figures for the speeds of Ethernet access purchased by CenturyLink; the percentage of CenturyLink customers that choose to buy CenturyLink Ethernet Class of Service and the distribution percentage offered by CenturyLink's cable vendors; and data on the Service Level Agreements that CenturyLink has negotiated with its Ethernet access vendors. Each of these types of information falls within at least one of the categories of information that the Commission designated as "Highly Confidential" in the *Special Access Rulemaking Protective Orders*. The type of Confidential Information being submitted includes: percentage figures on business telecom spend by incumbent LECs in areas where cable operators offer service.

All of this information is highly sensitive commercial information regarding CenturyLink's business operations and product/service offerings (which is the type of information described in the *Business Data Services Data Collection Protective Order*, Attachment 1 to Appendix B of the *Tariff Investigation Protective Order* and ¶ 6 of the *Second Protective Order*). And, CenturyLink's customers and competitors may also consider some of the information to be proprietary and competitively sensitive. All of this highly confidential and confidential proprietary commercial information also is not routinely available from CenturyLink nor is it available for public inspection from the Commission and thus is protected from public availability under 47 C.F.R. § 0.457(d). Additionally, the Highly Confidential and Confidential Information are of the types that are appropriate for non-disclosure to the public pursuant to the Dec. 4th *Protective Orders* and the *Special Access Rulemaking Protective Orders*.

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47 C.F.R. § 0.459

CenturyLink also considers the Highly Confidential and Confidential Information submitted with its Ex Parte Notice as protected from public disclosure pursuant to 47 C.F.R. § 0.459(b) as described as follows.

Information for which confidential treatment is sought

CenturyLink seeks highly confidential and confidential treatment for information included with its March 17, 2016 Ex Parte Notice in WC Docket Nos. 15-247 and 05-25, RM-10593, which is highly sensitive commercial information regarding CenturyLink's business operations and product/service offerings that is protected from public disclosure and availability.

Commission proceeding in which the information was submitted

The Ex Parte Notice is being filed in WC Docket No. 15-247, *Investigation of Certain Price Cap Local Exchange Carrier Business Data Services Tariff Pricing Plans* and in WC Docket No. 05-25, RM-10593, *Special Access for Price Cap Local Exchange Carriers; AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*.

Degree to which the information in question is commercial or financial, or contains a trade secret or is privileged

The Highly Confidential Information included with CenturyLink's Ex Parte Notice that it considers commercially sensitive and proprietary includes: Percentage figures for CenturyLink out-of-region costs, including Ethernet as an access cost; the number of commercial buildings to which CenturyLink can obtain Ethernet access through non-incumbent LEC vendors; the percentage of orders for Ethernet access that CenturyLink shifted in 2015 to non-incumbent LEC vendors; the number of high-value buildings to which CenturyLink can obtain Ethernet access from competitive LECs, cable providers and other vendors; detailed descriptions of the business arrangements that CenturyLink has with cable vendors; the percentage of sites that can be served using cable facilities; percentage figures for the speeds of Ethernet access purchased by CenturyLink; the percentage of CenturyLink customers that choose to buy CenturyLink Ethernet Class of Service and the distribution percentage offered by CenturyLink's cable vendors; and data on the Service Level Agreements that CenturyLink has negotiated with its Ethernet access vendors. The type of Confidential Information includes: percentage figures on business telecom spend by incumbent LECs in areas where cable operators offer service. All of this information is highly sensitive commercial information regarding CenturyLink's business operations and product/service offerings (which is the type of information described in the *Business Data Services Data Collection Protective Order*, Attachment 1 to Appendix B of the *Tariff Investigation Protective Order* and ¶ 6 of the *Second Protective Order*). And,

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CenturyLink's customers and competitors may also consider some of the information to be proprietary and competitively sensitive. All of this highly confidential and confidential proprietary commercial information also is not routinely available from CenturyLink nor is it available for public inspection from the Commission and thus is protected from public availability under 47 C.F.R. § 0.457(d).

Degree to which the information concerns a service that is subject to competition; and manner in which disclosure of the information could result in substantial competitive harm

The types of Highly Confidential and Confidential Information included with CenturyLink's Ex Parte Notice would generally not be subject to routine public inspection under the Commission's rules (47 C.F.R. § 0.457(d)), demonstrating that the Commission already anticipates that its release likely would produce competitive harm. The telecommunications services CenturyLink provides -- including the services that are at issue in the tariff investigation and the special access rulemaking proceedings -- are all competitive. The release of this highly confidential and confidential proprietary information would cause competitive harm by allowing competitors to become aware of sensitive commercial information regarding CenturyLink's business and internal operations, and the competitive markets in which CenturyLink operates. And, the release of information CenturyLink's customers consider to be proprietary and competitively sensitive could also cause the company competitive harm.

Measures taken to prevent unauthorized disclosure; and availability of the information to the public and extent of any previous disclosure of the information to third parties

CenturyLink has treated and treats the sensitive commercial information disclosed in its Ex Parte Notice as highly confidential and confidential, and has protected it from public disclosure.

Justification of the period during which CenturyLink asserts that the material should not be available for public disclosure

At this time, CenturyLink cannot determine any date on which the sensitive commercial information included with its submission should not be considered highly confidential and confidential.

Other information that CenturyLink believes may be useful in assessing whether its request for confidentiality should be granted

Under applicable FCC and court rulings, the information in question should be withheld from public disclosure. Exemption 4 of the Freedom of Information Act shields information that is (1) commercial or financial in nature; (2) obtained from a person outside government; and (3) privileged or confidential. The information in question satisfies this test.

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March 15, 2016



CenturyLinkTM

Growth of Non-ILEC Ethernet Access

Carla Stewart – Vice President – Cost Management
Jim Morris – Director – Global Carrier Management

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Agenda

- CenturyLink's out-of-region operations
- CenturyLink's initiative to expand out-of-region Ethernet access vendors and buildings
- Market Coverage and overlap from our vendor expansion
- Current and projected high value buildings available
- Full franchise agreements with Cable
- Vendor capabilities/CenturyLink demand – Speed, SLAs and CoS
- Pricing Promotion responses from AT&T and Verizon
- Conclusions

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CenturyLink's Out-of-Region Operations

- Outside its ILEC footprint, CenturyLink serves primarily national and regional customers leveraging its national backbone.
 - Examples – federal government, multi-location customers
- CenturyLink purchases out-of-region access services from a variety of vendors, including ILECs, traditional CLECs and cable providers.
- CenturyLink has a stringent process for bringing in new access vendors.
- Like any CLEC, CenturyLink must evaluate each market to determine whether to build or purchase services from a vendor.

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CenturyLink Out-of-Region Costs - \$1.6B in 2015

II

II

Ethernet moved from II of our Access Costs in 2015 alone, reflecting our customers' migration away from TDM services.

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Initiative Summary – Expand Ethernet Vendors & Buildings

- Recognizing the Ethernet growth curve, CenturyLink launched a 2014 initiative to significantly expand the number of our non-ILEC Ethernet local access (ELA) vendors and the number of locations that they can reach.
- Since the kickoff, the number of buildings with non-ILEC Ethernet access available has increased exponentially. As of Feb. 2016, non-ILEC vendors offered to provide Ethernet access to over [REDACTED] commercial buildings. We project continued growth in 2016 and beyond.

• [REDACTED]

] [REDACTED]

- In 2015, we were able to shift more than [REDACTED] of our orders for Ethernet access to non-ILEC carriers and we expect the shift to grow with the vendor expansion expected in 2016.
- Generally it takes 3-4 months for us to begin ordering Ethernet access to buildings newly loaded in CenturyLink's sales tool, given typical sales cycles.

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Market Overlap - Percent of Business Telecom spend in ILEC Footprint to which Cable has Access

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- Cable is a serious competitor – covering the majority of high value business telecom spend buildings in the ILECs' footprints.

Source: Austin-Tetra marketing database of high value buildings
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High-Value Building Trend

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- An example of the widespread availability of cable: On a recent multi-location customer bid, we determined that [[]] of the sites could be served using cable facilities

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Vendor Capability – Fiber/HFC/EoC Ethernet Speed (Mbps) Distribution – 2015 Installs

Fiber/HFC/EoC Ethernet Speed Distribution

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- CenturyLink orders both fiber and HFC-based Ethernet access from cable providers.
- When both are available and meet customer needs, our internal tools default to HFC since it is the less expensive option.
- HFC-based Ethernet currently provides symmetrical speeds up to 10 Mbps, and thus can be used to fulfill a significant percentage of CenturyLink's Ethernet access orders.
- CenturyLink also buys Ethernet local access from CLECs that use UNEs to provide Ethernet-over-Copper service.
- Ethernet-over-Copper (EoC) offers speeds up to 20Mbps which covers [[]] of our demand.

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Vendor Capability - Ethernet Class of Service (CoS) Distribution – 2015 installs

Ethernet Class of Service Distribution

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- Class of Service (CoS) is a parameter used to differentiate Ethernet packets to give priority to certain types of traffic carried in a network such as voice or video.
- Some Ethernet providers allow customers to buy higher levels of CoS – generally for a higher price – to enable the CoS designations on the customer's network to be recognized on a packet-by-packet basis.
- CenturyLink's cable vendors offer "high", "medium" and "low" CoS for Ethernet service provided over fiber.

- [[]] of CenturyLink's customers
]] choose to buy low CoS.

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Vendor Capability - Service Level Agreements (SLAs)

- SLAs are more important to some customers than others.
- SLAs for jitter are immaterial to a customer unless it uses the service for a particularly jitter-intolerant application.
- For most of CenturyLink's customers, cable-provided Ethernet-over-HFC and Ethernet-over-fiber services are indistinguishable in performance.
- CenturyLink uses cable-provided services for federal government and other customers with demanding specifications.

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Vendor Capability - ILEC vs. Cable Ethernet Access SLAs

	ATT	VERIZON	COMCAST	COX	TWC	CHARTER
Availability	II					
Jitter						
Latency						II

- II

II

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Pricing Promotion Responses

- According to a recently filed ex parte, Verizon has seen its Ethernet volumes drop as a result of cable competition.
 - Verizon is offering a program called “Titan” to counter cable offerings at some customer locations where it has fiber.
- AT&T is also responding to cable with promotional offerings at some customer locations where it has fiber.
- The industry is seeing even more pressure on Ethernet prices and will likely see more promotions as competition continues to increase.

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Conclusions

- The availability of non-ILEC Ethernet access has skyrocketed since 2013. Most of that growth is attributable to cable providers.
- By the end of 2016, non-ILEC providers will offer Ethernet access to nearly as many high-value commercial buildings as AT&T and Verizon – providing options and competition for buyers of Ethernet such as CenturyLink.
- The ILECs are responding to this competition with pricing promotions, and CenturyLink anticipates seeing further price reductions as competition continues to expand.
- Cable providers' Ethernet is comparable in quality to that of the ILECs and CLECs—whether provided over fiber or HFC facilities.
- CLECs' Ethernet-over-copper offerings are an important component of the special access marketplace.

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